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Author(s): John T. Wheeler

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Accounting Theory and Research in Perspective

John T. Wheeler

ACCOUNTING, like many a dignified lady, has a past but does it have a future? The prophets of gloom tell us that its days are numbered and that it will either die a victim of its own sins or be swallowed up in that magnificent conglomerate called the Information System. I shall leave the discussion of this proposed merger to others and restrict this discussion to accounting even if it operates as a wholly owned subsidiary of its glamorous parent. The title has been expanded by adding the word "research," as I find it necessary to examine research in accounting in its relationship to theory development and the validation of theories. Theories without research are likely to be sterile fabrications of academic minds which fail to promulgate a useful body of knowledge for the development of the field. It is equally important to point out that research without a theory leads to aimless wandering in the morass of data, questionnaires, and other research paraphernalia with little hope of meaningful results in terms of the better understanding of accounting. Let us then

look a little to the past, more intensively at the present, and with great perspicacity to the future to place accounting theory and research in perspective.

This topic posed numerous problems, but the major one was to find the proper perspective from which to view accounting theory and research. The one selected is that of a person not involved in current controversies in accounting theory, who views accounting as a separate discipline but with close ties to other fields particularly business administration.

I propose to look at accounting theory and research from the perspective of the current intellectual environment, where new developments in behavioral sciences,

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John T. Wheeler is Associate Dean for Academic Affairs and Professor of Business Administration at the University of California at Berkeley.

economics, quantitative methods, and an increasing attention to society and its goals have added dimensions which were unheard of a few years ago. Accounting theory, which in the past has been imbedded in business administration and the economic theory of the firm, has lost its shackles, but in the process it has also lost bases for theory development and research which have been of inestimable value; so far little of substance has been found to replace them. In this changed intellectual environment, I propose to look at the present state of the art and science of accounting and try to forecast some of the directions for accounting research and theory—giving details where possible with respect to specific steps to be taken but trying not to forecast the results.

In preparing this paper, I wrote to a number of accountants who have made significant contributions in the development of accounting theory to get from them some guidance on future developments, and I shall be using their ideas where appropriate; but I shall not indulge in a debate with such learned adversaries. Their ideas, those of graduate students with whom I have discussed the subject and the writings of countless accountants in articles and books have all been utilized to assemble a collage of thoughts on accounting theory and research for the 1970's.

My approach to the topic is not as a prophet of doom, but as one who believes that accounting has made some significant advances in recent times in terms of research and theory, and the future looks bright with unprecedented opportunities for significant developments of both an intellectual and practical nature. These developments will depend upon the adaptability, training and versatility of the scholars in the field as new tools and concepts from a number of other academic disciplines become available for use. These

scholars must have solid training in the behavioral sciences, quantitative analysis, economics, information theory and other areas of study from which relevant research tools and theoretical concepts have been or will be forthcoming. It is through the synthesis of these diverse intellectual contributions and their application to the development of accounting theory that our field will reach its maturity as a respected discipline in its own right. In the past, accounting theory developments have been highly dependent upon the theoretical constructs in other disciplines and this situation acted as a constraint upon such development. The emergence of an independent theoretical construct for accounting will necessitate using concepts from many other disciplines but the final result must be uniquely accounting, and the necessary building blocks will have to be constructed by accounting theorists.

THE ENVIRONMENT FOR ACCOUNTING THEORY AND RESEARCH

Since its inception, accounting has had a dependency relationship with other disciplines. The exposition of double-entry bookkeeping by Pacioli was as a part of his mathematical treatise,¹ legal determinations have been major factors in the development of accounting concepts and practice, and theory development has been dependent upon economic theory for many of its important ideas. Accounting education has developed as a part of business administration and, therefore, this has been the intellectual environment within which accounting thought has been incubated. The importance of this environmental setting can be seen by looking at the contributions to accounting theory of Australian academicians who are usually much more a part of economics departments than of schools of business as compared to

¹ Luca Pacioli, *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (1494).

the United States. This environmental factor is important in looking ahead to future developments in accounting theory. As the schools of business are changing rapidly, so does the environment for accounting also change.

Four developments in business administration promise significant changes for the environment within which accounting theory will be developed and research will be carried on. (1) Business administration has changed from an emphasis on description of business practice to a more analytical discipline where great attention is given to the underlying concepts and real attempts are being made to construct theoretical models. (2) The underlying basic discipline of economics, which has been the primary base for theoretical models in the past, has been partially supplanted by the behavioral sciences, and it has been supplemented by greater attention to mathematical models. (3) The economic goals which were implicitly or explicitly the almost exclusive objectives of business administration have been expanded to include broad society goals. (4) The study of business administration is being expanded to a general study of administration for all types of organizations. Each of these changes has important implications for accounting, and taken together they indicate a major change in the nature of accounting, the types of theory development needed, and the tools which theorists will need to make significant contributions. The first two are already reflected in the literature in accounting. In the last decade there has been a significant shift from viewing accounting as "what accountants do" to trying to study it analytically and to build theoretical models. There has been more development of accounting theory in the 60's than in the previous 500 years. In the same way, although economics has continued to be a very important element in the study of account-

ing, scholars in the field have made increasing use of mathematical models in theory development, and they have utilized both quantitative analyses and the behavioral sciences in their empirical research. These contributions have both broadened the scope of accounting and made it more of an academic discipline and less of a codification of practice. The injection of society goals into accounting models is less apparent although it has been recognized by a number of writers starting with such men as Paton and DR Scott and continued by others more recently. In a letter dated June 16, 1969 to the American Accounting Association Committee on Foundations of Accounting Measurement, Ijiri stated: "We might extend the traditional concept of economic value to a broader concept of social values and the ways in which future accounting may be able to help recording and reporting the achievement of social goals by a governmental or private agency." Theoretical developments in the field, however, have given little recognition to this factor, and understandably so, as it will create problems of great magnitude just at a time when there is some hope that a meaningful theory of accounting might emerge. Finally, the metamorphosis from business administration to administration will give accounting the opportunity to expand its horizons and give more explicit attention to accounting in other than business organizations. This will not be a new development, but accounting outside the business firm has been treated as a stepchild in the past and theoretical developments were almost exclusively limited to accounting for the business enterprise. Here again the change will make the construction of a general theory of accounting much more difficult, but it may have the advantage of removing theory from constraints imposed by current practice and vested interests.

THE CONCEPT OF ACCOUNTING

It is possible to carry on effective accounting research without a precise concept of accounting. Indeed, one useful piece of research might be a study of the nature of accounting. The development of theory, on the other hand, requires that we know what it is about which we wish to theorize. I undertook a mini research project which, like the mini skirts, revealed a great deal without the use of much material. A search of the literature and letters from some of the prominent accounting theoreticians indicated that the concept of accounting has undergone considerable change with the emphasis upon broadening its scope, but that there is still a great amount of disagreement as to the boundaries of accounting. Early definitions emphasized the use of accounting data by owners and other suppliers of capital. Paton, in his book *Accounting Theory*, first published in 1922, consciously avoided defining accounting; but he came close to the same thing when he stated, "It is the function of accounting to record values, classify values, and to organize and present value data in such a fashion that the owners and their representatives may utilize wisely the capital at their disposal."² Two decades later, this same author had broadened his concept of the users of accounting data but limited the nature of the data. In American Accounting Association Monograph No. 3 Paton and Littleton state, "The purpose of accounting is to furnish *financial* data concerning the business enterprise, compiled and presented to meet the needs of *management, investors, and the public*."³ Two decades later in Accounting Research Study No. 1 Moonitz used the word "entities" to indicate that accounting served more than business enterprises.⁴ The result is that today few definitions place limits on the set of users of accounting data or upon the entities for which accounting is done, but the scope of

the data to be covered by accounting is usually restricted in some way, although agreement on this matter has not been reached.

The definition of accounting which is the most widely used and accepted today is that formulated by the American Accounting Association Committee to Prepare a Statement of Basic Accounting Theory and which was published in 1966. This definition states that accounting is "... the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information."⁵ One can see that this definition in no way limits the nature of the users of the data nor the entities for which the accounting is carried out. It is a user-oriented definition which is consistent with past definitions and in line with developments in decision making and information systems. Its popularity stems at least partly from the fact that it is so broad that it covers everything that theorists wish to include. The only two limited words are "economic information," and if information is viewed as useful data this is not limiting in view of its user orientation. The Committee goes on to state: "The concept of economics referred to in the preceding sentence holds that economics is concerned with any situation in which a choice must be made involving

² William A. Paton, *Accounting Theory* (The Ronald Press Co., 1922), p. 7.

³ William A. Paton and A. C. Littleton, *An Introduction to Corporate Accounting Standards*, American Accounting Association Monograph No. 3 (American Accounting Association, 1940), p. 1.

⁴ "The function of accounting is (1) to measure the resources held by specific entities; (2) to reflect the claims against and the interests in those entities; (3) to measure the changes in those resources, claims, and interests; (4) to assign the changes to specifiable periods of time; and (5) to express the foregoing in terms of money as a common denominator," Maurice Moonitz, *The Basic Postulates of Accounting*, Accounting Research Study No. 1 (American Institute of Certified Public Accountants, 1961), p. 62.

⁵ *A Statement of Basic Accounting Theory*, prepared by the American Accounting Association Committee to Prepare a Statement of Basic Accounting Theory (American Accounting Association, 1966), p. 1.

scarce resources.”⁶ This too is not very restrictive. I cannot see that accounting methodology has much to contribute to many areas of economic information, and I believe that more progress will be made in theory development if we limit our attention to “economic information expressed in monetary terms.” I realize that this excludes some things which accountants now do, such as physical inventories and recording of production units, but this seems a small price to pay if it helps the development of a coherent body of thought for accounting. On the other hand, such a restriction of scope should not constrain research to the narrow confines of accounting so defined.

Another issue which is not brought out in the above definition but which is significant for theory development has to do with future events and their recording. Firmin in 1966 stated, “accounting is concerned with communicating the effects of economic events—past, present and *future*—to a wide variety of persons who will use the information in different ways and for diverse purposes.”⁷ Chambers takes the opposite position, and he sets forth his position in no uncertain terms: “This paper takes uncompromisingly the position that accounting is concerned strictly with the past and present, but so that it is always relevant to the future. To mix measurements with expectations is to confuse an already complicated present. To make measurements is the business of the accountant as such; to form expectations is the business of actors.”⁸ This difference of view is of basic importance and must be resolved before much meaningful work can be done with respect to the development of accounting theory.

A STRUCTURE FOR ACCOUNTING

Rather than add to the confusion by expounding another definition of accounting I would like to set forth a structure for

looking at accounting which I believe is consistent with the American Accounting Association Committee definition quoted above, but which hopefully will provide more guidance for the development of theory and the formulation of meaningful accounting research. The definition indicates that accounting is a process, but Ijiri suggested in a letter that defining it as a system would be preferable. Both are preferable to such words as “art,” “body of knowledge,” “method,” etc. used in other definitions because the former connote the ongoing nature of accounting. Ijiri suggests that the term “system” is preferable because it “seems to convey the feeling of integration and structuredness in accounting much better than the term processes.” My initial reaction was one of indifference between the two, but as I worked with them I found it most useful to refer to the whole as the accounting system and to look at individual processes within that system.

The accounting system can be viewed along many different dimensions, and I should like to look at a few of these. In particular, to start I should like to introduce a conception of the system which, although not entirely new,⁹ does seem to me to give it a different perspective. For this purpose, I shall divide the system into four parts, each of which has very different attributes insofar as the conventional view of accounting is concerned. First is “recording,” which is the oldest aspect of accounting, and it is generally associated

⁶ *Ibid.*, p. 1.

⁷ Peter A. Firmin, “Discussion Comments” in *Research in Accounting Measurement*, Edited by Robert K. Jaedicke, Yuji Ijiri and Oswald Nielsen (American Accounting Association, 1966), p. 167.

⁸ Raymond J. Chambers, “Measurement in Accounting,” *Journal of Accounting Research*, Vol. 3 No. 1 (Spring 1965), p. 33.

⁹ Anton presents aspects of an effective accounting system somewhat similar to that used in this paper although he goes further in including integration with the planning and control system. See Hector R. Anton, “Some Aspects of Measurement,” *The Journal of Accounting Research*, Vol. 2 No. 1 (Spring 1964), p. 2.

with the term "bookkeeping" and relegated to a subsidiary role. There seems to be an assumption that there are no theoretical issues associated with this process in the system, whereas in many respects this is the most fundamental aspect of the system; and, in fact, if one wants to take a narrow interpretation of accounting, it might be argued that this is accounting and the other three parts lie outside the domain. Many of the issues in accounting can be looked at in terms of the recording process and resulting data bank, and we shall return to this after looking at the other three segments.

The second part of the system is the process by which data, once recorded, are manipulated by combining, comparing, extrapolating, and other forms of summarizing and organizing data. This aspect could be called mathematics or statistics, and it is wholly dependent upon the data provided in the recording phase; and it can be completely objective in that the specific models used in the manipulation can be set forth, and independent observers can both check the accuracy with which the manipulations are carried out and question the validity of the models used. The development of on-line computer systems with multiple access to data banks will mean that many users of the data will be employing their own models for data manipulation, although accounting might be viewed in terms of specific models such as the traditional one of income determination. Forecasting models, price-level adjustments, and statement preparation would all be examples of data manipulation models which rely upon the availability of the relevant data in the data bank to be used by the models.

The third segment of the system is the communication of information to potential users. Little data will be communicated out of the data bank in its raw form; so that, in general, one can look at communication in terms of the results of data ma-

nipulation. Perhaps it would be better to look at this phase as a part of the fourth which involves the users of the information; but for purposes of exposition it seems preferable to make the separation, although it must be recognized that communication is carried on for a purpose, and it is meaningless without reference to the objectives of the individuals receiving the communications. The technical aspects of communication can be studied quite independently of the user, and semantic problems may be dealt with on a general level of user comprehension; but effectiveness necessitates direct reference to the user and his behavior resulting from a communication. A division of communication into three different types is particularly useful for accounting: general communication, which is designed for multiple users with diverse objectives, characterizes published financial reports; specific communications for single users or multiple users whose utility functions are assumed to be the same are more typical of management accounting; and, finally, we have communication which is initiated by the receiver. This latter form is of particular importance in considering information systems using on-line computers where the users of the information can make their requests directly to the data banks, although as indicated above they will, in general, have to make their requests assuming certain data manipulation models are being utilized in the transition from the data bank to the user.

The fourth segment of the system—the user and his decision functions—is usually viewed as outside accounting. Accounting data are assumed to be used for a purpose, and it has become widely recognized that only by studying the decision models of the users will it be possible to assess the data needs and thus develop optimal processes in the first three phases of the system. It is in this phase that behavioral considerations become of great

importance. Our formal models may tell us that a rational investor needs to have financial information furnished to him on a current dollar basis, but if behavioral studies show that investors ignore such data or misuse it so as to reach erroneous conclusions, then the provision of such data has no utility in the system. The study of decision makers through formal decision models, empirical studies of actual decisions and laboratory studies have made major contributions to accounting knowledge in recent years. This is one aspect of accounting research in the last decade which has been of particular significance, and further studies using more sophisticated research techniques and more extensive samples should provide guidance to accountants in designing more effective accounting systems. Decisions are always made on the basis of expected events; thus subjective probabilities and guesses with respect to the future, as well as reliance on more formal forecasts based upon historical events, are a part of this phase of the total system although seldom considered a part of accounting.

Before returning to a more detailed look at the first segment of the system, brief mention should be made of some of the other relevant dimensions which might be looked at. There are three that are of particular importance historically in accounting, and they remain major aspects of current research and theory development. They are the entity to which the accounting system is attached, the user for whom the accounting information is destined, and the nature of the data to be included in the system. Development of an overall structure for accounting research and theory must provide for construction of special theories concerning different types of entities, different user groups, and different types of data. Thus the narrow concept of traditional accounting might be viewed as accumulation of financial data for a business enterprise

for use by investors. The question remains as to whether this is a unique system not directly related to others or whether the same data bank and the same data manipulation models may serve multiple entities and/or multiple users.

THE RECORDING PROCESS

Let us now look more closely at the first phase of the process, namely, "recording." It is here that Pacioli made his unique contribution and subsequent people over the centuries have built upon his model, so that today accounting has an established position in the realm of data collection and recording. This preeminent position is being threatened, however, because the technology associated with computers has revolutionized data processing, and there is no reason to believe that the methods appropriate to the quill pen in the fifteenth century will be equally applicable to online computer systems of the last third of the twentieth century. There is an imperative need, therefore, for research and theory development in the area of recording to assure that the essential process of recording is modernized and developed consistent with future needs and technology. The process of recording may be divided into two phases—*identifying* and *classifying*—to use two terms frequently employed in traditional definitions of accounting. The world or state of nature is infinite, and any recording system must include bases by which decisions can be made as to what is to be recorded. It is customary to speak in terms of recording events, but it is also possible to record states of nature such as temperature. Traditionally, accountants have used the transaction as the basis for identifying events to record, although other bases, particularly for recording internal operations, have been employed. The recording of states of nature has not been considered part of accounting although such things as temperatures, price indices, and world con-

ditions have been used in the decision models of investors, managers, etc. Systematic research and development of a theory of identification and related filtering decisions are needed to provide better guidance in the evolution of this aspect of the recording process. Research along these lines is underway. An article in the last issue of *THE ACCOUNTING REVIEW* by Crandall entitled, "Information Economics and Its Implications for Further Development of Accounting Theory,"¹⁰ sets forth some of the basic ideas in this direction.

The classification phase of the recording process determines the labels or measures to be associated with the events or states of nature identified for recording. Traditionally, accountants have recorded the date, one measure and one label for each observation,¹¹ but modern recording methods make it possible to associate a large number of attributes with a given observation and record them. Here again research is needed to give guidance to the development of more effective classification schemes, with particular reference to labels which will make it possible to associate observations of particular events with states of nature of other related events. An example is the classification of fixed assets in such a way that they can be related to specific price indices in the future. Many decision models need information on relationships between variables which require that the data bank provide a basis for matching related events or states of nature. A model for cost control for power might need data on operating hours, connected horsepower, and power usage for specified time periods. Although any particular data bank may rely for its inputs on other data banks, some information system must identify and record the event or state of nature at the time it occurs, and reliance on informal systems such as human memory can be hazardous to effective decision making. In the final analysis,

rational decision making relies upon the use of historical observations to predict future events and the base of the entire system must be an adequate and useable data bank.

ACCOUNTING THEORY AND RESEARCH IN THE 1970's

Utilizing the structure of the accounting system presented above, I should like to conclude by looking at accounting theory and research needs for the future. General expositions of theory differentiate between descriptive and normative theory, but it is my view that only the latter is relevant for accounting, as we are not studying natural phenomena but things over which we have control. There are, however, four distinguishable approaches to the development of normative theory in accounting, each of which has been utilized in recent works and promises to be important for future developments. There is the axiomatic approach used by Mattessich¹² with eighteen basic assumptions and Ijiri¹³ with a system of three axioms. These constructions attempt to develop a general theory and are not constrained by reference to particular types of users. At the other extreme there are theories which set forth the optimal accounting system for a particular decision model. In the most limited sense, this could be a system restricted to providing information for one specific type of decision such as the inventory replenishment decision. At a more general level, we find a theory for the

¹⁰ Robert H. Crandall, "Information Economics and Its Implications for Further Development of Accounting Theory," *THE ACCOUNTING REVIEW* (July 1969), pp. 457-466.

¹¹ "In general, the only definite facts available to represent exchange transactions objectively and to express them homogeneously are the price-aggregates involved in the exchanges; hence such data constitute the basic subject matter of accounting." William A. Paton and A. C. Littleton, *An Introduction to Corporate Accounting Standards*, *op. cit.*, p. 7.

¹² Richard Mattessich, *Accounting and Analytical Methods* (Richard D. Irwin, Inc., 1964).

¹³ Yuji Ijiri, *The Foundations of Accounting Measurement* (Prentice-Hall, Inc., 1967).

optimal accounting system for a firm. In this respect the recent work of Hakansson¹⁴ in developing a model of the firm which includes attention to the utility functions of the owners and then sets forth an optimal accounting system for such a firm gives promise of useful future theoretical contributions. At a more empirical level, we find the studies of actual decision making by investors, managers, etc. which then provide the basis for a theory of accounting designed to provide optimal information for the actual decision processes utilized. Finally, there are the theories of accounting which have attempted to provide an optimal accounting system for a general set of decision makers with diverse objectives and roles. This latter type of theory has been the most prevalent and central to typical accounting practice, but it has floundered on the difficulties of defining the objectives of such a generalized system. Greater attention to social objectives may provide a relevant basis for future theory developments of this type.

In this discussion of theory and research in accounting, I have not mentioned any of the issues associated with the extensive literature on the theory of business income nor those things referred to as research and theory, such as found in the theory section of the C.P.A. examinations or studied by the research units of professional organizations. Except for unusual studies such as Accounting Research Study No. 1 by Moonitz¹⁵ and Accounting Research Study No. 3 by Sprouse and Moonitz,¹⁶ the research studies emphasize practical problems of accounting which although of vital importance to practicing accountants should not become constraints to academic research and theory development. The latter should provide a broad theoretical structure for accounting and lead practice rather than attempting to rationalize current practice. Accounting theory should not be restricted by practice anymore than the economic

theory of the firm is limited by the actions of the corner drug store. In the final analysis, effective research should lead to good theory development which will prove useful in guiding practice, but accounting scholars must adopt an independence which permits them to search for the ultimate answers unhampered by current issues in the profession. It is unfortunate that there is a widespread feeling among academic accountants that the profession, as represented by its official bodies, is not receptive to theoretical developments. Deinzer stated; "The recommendation of the two Accounting Research Studies were rejected by the Accounting Principles Board in 1962. Current research sponsored by the Institute is in the direction of inventorizing and codifying 'generally accepted accounting principles'."¹⁷ In a letter I received recently, a leading accounting theorist stated, "Probably the most critical problem in that part of accounting concerned with financial reporting is that those who are making the important decisions—for example, the Accounting Principles Board—do not seem to be using *any* accounting theory. Their analysis and their recommendations appear to be strictly ad hoc."

Theorists need to start building on the work of others and abandon trying to replace the theoretical structure of one author by an entirely new structure. This may satisfy one's ego, but it does not lead to a cohesive development of theory in the field. In this respect, there is a lot more agreement in the field than current writings would indicate. We tend to emphasize

¹⁴ Nils H. Hakansson, "An Induced Theory of Accounting Under Risk," *THE ACCOUNTING REVIEW* (July 1969), pp. 495-514.

¹⁵ Maurice Moonitz, *The Basic Postulates of Accounting*, Accounting Research Study No. 1 (American Institute of Certified Public Accountants, 1961).

¹⁶ Robert T. Sprouse and Maurice Moonitz, *A Tentative Set of Broad Accounting Principles for Business Enterprises*, Accounting Research Study No. 3 (American Institute of Certified Public Accountants, 1962).

¹⁷ Harvey T. Deinzer, *Development of Accounting Thought* (Holt, Rinehart and Winston, Inc., 1965), p. 21.

points of disagreement rather than the opposite. Most of the criticisms involve charges of not going far enough rather than opposing what is done. For example, nobody suggests that the recording of transactions between firms is valueless and should be abandoned. Rather, the controversy centers around going beyond transactions and also concerns what observations should be recorded about each transaction. The publication of the American Accounting Association Committee to Prepare a Statement of Basic Accounting Theory provided a base upon which later committees are now building. For example, the Report of the Committee on Managerial Decision Models¹⁸ provides a good analysis of this important subject for accounting theory. The theoretical base which has been laid in the last decade can provide the launching pad for a new era of rapid theoretical developments in the 70's.

Research may start with a study of decision makers and their information needs. From there it can go to the communication problems of providing the needed information. These studies can be both empirical and model building in nature. At the same time studies of various data-handling models and data banks can build a body of knowledge of the alternative sets of data which it is possible to provide to decision makers and perhaps build some knowledge of the associated costs, in order that ultimately it will be possible to make cost-benefit analyses of alternative information systems. No specific mention has been made of accounting in the last few sentences because the needed studies should not be constrained by some artificial boundary between accounting and some other information system. A study of information needs of a set of decision makers should include all forms of information. The part of the relevant information which carries the label "accounting" will depend upon the ultimate divisions

provided within the overall information system, but research should not be restricted by these dividing lines.

An alternative structure of research could be envisioned whereby studies of alternative sets of data and data manipulation models could be developed on the basis of which optimum decision models could be constructed. This data orientation—rather than decision orientation—could be useful for accounting research in view of the lack of usable decision models at this time. George Sorter in a provocative article introduces what he calls "An Events Approach to Basic Accounting Theory,"¹⁹ which conforms closely to my data orientation. This concept using broad economic and social goals as criteria for selecting among alternative systems gives promise of providing a significant new approach to accounting theory.

No period in history has provided such challenges and opportunities to the accounting scholar, but to take advantage of these opportunities he must be prepared to work outside the narrow confines of traditional accounting and to utilize sophisticated research tools which have been developed in a variety of other disciplines. I am confident that the challenge will be met and that others a decade from now will remark about the metamorphosis which has occurred in accounting as a result of the research and theory developments in the 70's.

¹⁸ American Accounting Association, "Report of Committee on Managerial Decision Models," *THE ACCOUNTING REVIEW*, Supplement to Vol. XLIV (1969), pp. 43-76.

¹⁹ "Proponents of the 'Events' theory suggest that the purpose of accounting is to provide information about relevant economic events that might be useful in a variety of possible decision models. They see the function of accounting at one level removed in the decision-making process. Instead of producing input values for unknown and perhaps unknowable decision models directly, accounting provides information about relevant economic events that allows users to generate their own input values for their own individual decision models." George H. Sorter, "An 'Events' Approach to Basic Accounting Theory," *THE ACCOUNTING REVIEW* (January 1969), p. 13.